A7.7/2:4/28

JULY 11, 1966

A DEBATE ON THE EEC'S AGRICULTURAL POLICY

INDIA'S CHANCES FOR AVOIDING A 1966 FAMINE

TUNISIA'S MEDJERDA VALLEY

Documents TIC Library AUG 1966

FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

A WEEKLY MAGAZINE OF THE UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE

FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

JULY 11, 1966

VOLUME IV • NUMBER 28

Tunisian farmers experiment with the growing of kenaf on Medjerda River Valley. Article on page 6 tells how this valley is being developed with financial aid.

Contents

3 The EEC-American Debate on Agricultural Trade Policy

5 Chances Are Improving for India's Avoiding a 1966 Famine

6 How Tunisia Is Developing Its Medjerda River Valley

8 Conference Appraises Future of U.S.-Japanese Farm Trade

10 Nationwide "Wash Up" Campaign Aimed at Japanese Schoolchildren

10 U.S. Wheat Industry Hosts Netherlands Trade Mission

10 Wheat Associates To Open New Office in Taiwan

11 A Look at the Changing Market for U.S. Poultry in Germany

12-15 World Crops and Markets (Commodity index on page 15)

16 Highlights of the Agriculture and Trade of the Soviet Union

Orville L. Freeman, Secretary of Agriculture

Dorothy H. Jacobson, Assistant Secretary for International Affairs

Raymond A. Ioanes, Administrator, Foreign Agricultural Service

Editor: Alice Fray Nelson Associate Editors: Ruth A. Oviatt, Janet F. Beal

Advisory Board:

W. A. Minor, Chairman; Donald K. Childers, Horace J. Davis, John H. Dean, David L. Hume, Robert O. Link, Kenneth W. Olson, Donald M. Rubel, Quentin M. West.

This magazine is published as a public service, and its contents may be reprinted freely. Use of commercial and trade names in the magazine does not imply approval or constitute endorsement by the Department of Agriculture or the Foreign Agricultural Service.

Foreign Agriculture is published weekly by the Foreign Agricultural Service, United States Department of Agriculture, Washington, D. C. 20250. Use of funds for printing this publication has been approved by the Director of the Bureau of the Budget (December 22, 1962). Yearly subscription rate is $7.00, domestic. $9.25 foreign; single copies are 20 cents. Orders should be sent to the Superintendent of Documents, Government Printing Office, Washington, D. C. 20401.

The EEC-American Debate on Agricultural Trade Policy

The imaginary conversation set forth in this article includes most of the points being made in the long series of U.S.-EEC discussions on farm trade.

By A. RICHARD DeFELICE
Assistant Administrator for International Trade
Foreign Agricultural Service

Dialog between the European Economic Community and the United States over agricultural trade policy highlights one major point: Differences of opinion between the two trading partners largely involve the degree of protection the EEC affords its agriculture, rather than protection as such.

The United States, with a protective system for its own agriculture, agrees that farmers of all countries need to be shielded from the effects of unduly competitive farm product imports. In supporting establishment of a European common market, the United States was well aware that merging the separate agricultures of France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg into a common agricultural policy would call, in turn, for common external tariffs to give EEC farmers some protection against imports from non-EEC countries.

But the agricultural trade policy that has emerged in the EEC is far different from what the United States envisaged when merger of the six countries was under discussion. The United States feels that the EEC's policy will unduly restrict imports of several major farm commodities, notably grains. The EEC holds, however, that the trade barriers it has erected are necessary if EEC agricultural objectives are to be reached.

Issues and answers

What are the main issues?

They might be brought out about like this in a transatlantic debate between an American and a Common Market trade official.

Mr. American: Trade walls around the EEC are of vital concern to the United States. The EEC is America's biggest overseas market for food and fiber. In fiscal 1965 it was an outlet for $1.4 billion worth of our farm products —almost a fourth of total U.S. agricultural shipments and about a third of the farm products we sold abroad for dollars. The United States feels, as one of many nations dedicated to liberal trade, that efficient U.S. agriculture should not be excluded from this market. We feel, furthermore, that Europe's consumers, now battling high costs of living, do not want to see us excluded.

Mr. Common Market: You worry about the EEC's variable import levy system—yet you just admitted that the United States is shipping the EEC a great volume of agricultural commodities.

Mr. American: We worry when we contemplate the future—the time when the EEC's common agricultural policy becomes fully effective. That policy already has cut our shipments of poultry to West Germany from 221 million pounds in 1962 to 111 million in 1965. It has reduced our flour trade with the Netherlands from $5.3 million in 1960 to only $1.1 million in 1965. We see more serious danger areas ahead—especially with respect to grain.

Mr. Common Market: Agricultural protection is a political necessity in the EEC. Farmers represent 20 percent or more of the population, whereas your farmers account for only 6 percent. EEC farmers speak with a loud voice in the halls of government, especially when they fear the competition of unlimited agricultural imports.

Also, the EEC countries are attempting in various ways to make their agriculture more efficient. France, in particular, is consolidating small parcels of land to create more efficient units; helping older people to get out of agriculture and encouraging younger ones to get in; providing credit for machinery, facilities, and materials; stepping up vocational education; improving marketing facilities in country and town; carrying on a rural development program. Unlimited imports would wreck all that we are trying to do.

Furthermore, most EEC countries have price support programs in effect. Unrestricted imports would cancel the price-stabilizing influence of government outlays.

How much protection?

Mr. American: Un moment, Monsieur! You use the expressions "unlimited" and "unrestricted." The United States is not asking any country to open its gates to a flood of competitive U.S. farm products. The United States does ask that it not be excluded completely.

The United States argues that there's a big difference between moderate protec*tion*—and immoderate protection*ism*—which *over*protects. We have demonstrated in the United States that we can let agricultural trade flow rather freely and still give our farmers the protection they need and deserve.

Mr. Common Market: We have lowered trade barriers on industrial goods, as you know. But it is extremely difficult to liberalize agricultural trade.

Mr. American: It isn't so difficult. The United States has reduced tariffs on imported farm products the same as on industrial goods. Today, our tariffs on dutiable farm products average about 10 percent—the lowest of any major nation in the world. We reduced them to 10 percent from their 1934 average of 85 percent. If the duty-free items such as coffee, tea, cocoa, and bananas are included, the current average is only 6 percent.

Furthermore, our use of nontariff barriers is very restrained. Only on wheat and wheat flour, cotton, peanuts, and certain dairy products do we set quotas—as required by law to prevent adverse effects on government programs. And we regulate sugar imports, also as required by law. But only 26 percent of U.S. farm output is covered by such restrictions.

Debate goes on at Brussels, the EEC capital, and at Geneva, where trade negotiators are trying to get stalled agricultural talks underway. Much of the debate is focused on the EEC's principal protective device—the variable import levy coupled with high price support.

The variable import levy system cancels out any price advantage a non-EEC supplier might have. If the non-EEC country offers a commodity at less than an arbitrarily set threshold price, the variable levy is added to the offer price to bring that price up to the level of the threshold price. So the non-EEC country is deprived of its price advantage. It's something like a high jumper trying to clear a bar which always is kept a bit higher than he can possibly get over.

U.S. poultry producers have learned how hard it is to surmount the bar. In calendar 1962 we shipped about 174 million pounds of poultry to West Germany, the major EEC importer. At that time the duty on ready-to-cook broilers, our principal poultry export, was 4.5 cents a pound, or 15 percent ad valorem. In August 1962, however, the EEC raised its total protection on broilers to about 10 cents, equal to about 33 percent ad valorem. Later, the levy was pushed to a high peak of 18 cents. Our trade suffered, of course. By 1965 West German imports from the United States had dwindled to 82 million pounds, of which only 3.5 million were broilers.

Other U.S. markets also hurt

Keeping competitive poultry out of the EEC is only part of the story. High levies have indirectly hurt us in *non-EEC* markets, because EEC producers, behind their high trade walls, have stepped up production to such an extent that they must now look for markets outside the Community, often to our detriment. For example, France has become one of our active competitors in Switzerland, which was long an excellent customer for our poultry and a country France had not exported to before the Common Market era. U.S. producers feel that this competition is akin to pouring salt on the wounds.

The United States is deeply worried about its grain exports when the EEC's uniform price for corn, wheat, and other grains becomes fully effective on July 1, 1967. For example, EEC prices scheduled to go into effect on July 1, 1967, will mean a levy of $26 per metric ton on U.S. corn at present world prices. A levy that high is bound to reduce U.S. corn sales to the Community. France has large potentials for boosting grain production; and French farmers, protected by their big levy, will have a powerful incentive to do just that.

The United States has suggested that the EEC adopt the principle of "market sharing" in lieu of variable import levies. Market sharing is the old "piece of pie" idea. If the principle were accepted, our EEC trading partners would grant us access to the EEC market on the basis of our recent historical share of that market. If access were granted on a percentage rather than an absolute basis, the United States would gain from the future growth of the market. Sharing could easily be implemented by levying lower duties on the market share than on the remainder.

The United States has demonstrated its support of the market sharing principle. This was done not too long ago when sharp increases in imports of low-priced beef began to disturb U.S. cattlemen. Instead of restricting beef imports with a variable import levy, our Congress enacted a law establishing quotas. But these quotas, when applied, still assure foreign suppliers a share of the U.S. market—a share based on what they sold us during a previous representative period, plus a factor that allows them to share in the growth of the U.S. market.

The major grain-trading nations have agreed to negotiate toward a world grains arrangement, which could incorporate the market-sharing principle. The United States is ready to cooperate in such an arrangement if assured of continued and improved opportunity to compete in traditional markets, if price ranges are realistic and based on returns to efficient producers; and if both importers and exporters undertake to discourage excessive and uneconomic output and exports.

The European Economic Community has shown little enthusiasm for market sharing. Instead, it has proposed a scheme variously referred to as the *montant de soutien*, MDS, or "margin of support," a proposal that would:

1. Freeze support prices per unit of product in each country at their current levels.

2. Permit countries to levy an import duty equal to the difference between these frozen support prices and a reference price, which in most instances would be the world price of the product concerned.

3. Permit countries to levy an additional fee equal to the difference between the reference price and the price at which imports are sold in the import market, any time that the sale price is below the reference price.

The United States does not like the MDS. This proposal's variable levy feature would deprive our exporters of any price advantage from gains in efficiency.

But most importantly, the MDS does not contemplate the reduction of existing trade barriers. It could hardly contribute to trade expansion. Yet the EEC has agreed that this is precisely one of the objectives of the Kennedy Round of trade negotiations.

Negotiations must go on

All these problems and attitudes have been discussed in the Kennedy Round and elsewhere. Of course, that's one of the purposes of negotiations—to discuss, and then to reconcile opposing points of view.

Kennedy Round negotiations have been slowed down while the EEC has sought to resolve internal problems. Some progress in their solution seems to be being made. At its May 9-11 meeting, the EEC Council reached agreement on agricultural financing and on the final date when restrictions on agricultural trade between member states would end (July 1, 1968). But a number of other actions are still to be taken. These include approval of regulations and of common price proposals for sugar, fats and oils, and fruits and vegetables, followed by approval of agricultural offers in the Kennedy Round. If that Round is to be completed on schedule—by July 1, 1967, that is—meaningful negotiation must start in the very near future.

The overriding purpose of trade negotiation is trade liberalization. It was Adam Smith who said, in his great "Wealth of Nations," that "Trade which, without force or constraint, is naturally and regularly carried on between any two places, is always advantageous . . . to both."

Because trade is advantageous, time may be on the side of liberal traders. The people of the world have more purchasing power today than at any other time in history. They are becoming increasingly impatient with artificial barriers that keep them from using their enlarged incomes to advance their standards of living. This impatience, increasing and spreading, could eventually erode much of the protectionism that now hampers the movement of farm products among nations.

Chances Are Improving for India's Avoiding a 1966 Famine

By HORACE J. DAVIS
Assistant Administrator for Attachés
Foreign Agricultural Service

Signs are multiplying that a 1966 food famine in India may be averted. Massive food aid—the bulk of it from the United States—has turned the tide. But India still needs good luck in the form of a favorable monsoon.

The monsoon got off to a good start in mid-June. This seasonal rain normally accounts for 75-80 percent of India's rainfall. If adequate, it will restore soil moisture, fill depleted reservoirs, and increase the harvest of fall and winter crops. If poor, it will mean a repetition of the bad situation that prevailed last year—reduced crops, hoarding, and tighter rationing of the limited food supplies available.

Massive food aid

In the meantime, the country is still receiving shipments of the unprecedented food aid pledged to it this year by the United States and other nations of the world. Foreign assistance has taken this course:

In January 1966, soon after it became evident that India was facing a crisis, the United States sent a special team of food and port experts to India to help develop a program to make the most of available supplies. After completing an on-the-spot study of the food and port situation in India, the team concluded that India would need to import for consumption in calendar 1966 about 11 million tons of food grains. The team also developed plans for improving port facilities to handle larger grain imports, and later a U.S. port specialist went to India to help implement these plans.

Emergency assistance to India from other U.S. representatives includes: Help from machinery manufacturers in making more effective use of grain-unloading equipment; from a three-man team sponsored by U.S. Feed Grains Council and Wheat Associates in improving grain-storage facilities; and from a nutritionist in developing new food use for grain sorghum.

As of late May, port facilities for handling grain imports had been improved, and firm plans had been made for importing 10.7 million tons of food grains in calendar 1966. Recently, these imports have been averaging about 1 million tons per month; in terms of 10,000-ton cargo ships, that's equal to more than three shiploads per day.

Biggest portion of this import is coming from the United States under the Food for Peace Program. Thus far in 1966, some 5 million tons of U.S. grain have moved to India, and by year's end a total of more than 8.8 million will have been shipped. This will bring to over 41 million tons the quantity of U.S. grain exported to India since 1957 under the Food for Peace Program.

Add the value of these grains to that of other commodity exports, such as dairy products and edible vegetable oils, and the market value for total U.S. Food for Peace shipments to India over the last 10 years comes to $3.2 billion, making India—by a wide margin—the largest recipient of U.S. food aid.

In addition, India has been receiving emergency assistance during the current food crisis from the governments of 33 countries other than the United States, private organizations within 10 countries, and one international organization. One of these countries is Canada, contributing 1 million tons of wheat and flour, plus other foods. Another is Australia, sending 130,000 tons of wheat, along with other foods and port equipment. And—on an international scale—the World Food Program of the United Nations Food and Agriculture Organization is donating 54,400 tons of wheat and 7,300 tons of dried skim milk.

Additional imports of rice would also be helpful in preventing unrest in the predominantly rice-eating areas such as West Bengal and Kerala States. These two States have strong left-wing political organizations, which welcome any opportunity to organize demonstrations against government policies. A reduction in the rice ration could trigger troublesome demonstrations.

The Indian people themselves have helped to "stretch" their limited supplies. Steps taken by the government include rationing programs in the larger urban centers, a nationwide program to skip one meal a week (Monday evenings), restrictions on parties and banquets, and substitution of grain sorghum for wheat and rice. Also, the Government of India launched an emergency food production program in the fall and winter of 1965-66. This program resulted in the planting of some 4 million more acres to food crops, with much of this addition taking the form of vegetable gardens in urban centers similar to the U.S. "victory gardens" of the World War II era.

Substantial tonnages of the food grains imported during the recent "million-ton months" have been placed in storage for use during the monsoon season, when inland transportation may be disrupted by local flood conditions. This grain has been carefully distributed throughout the country so that the people in all areas are assured of food grain even if they should be temporarily isolated.

Emphasis on modernizing agriculture

Longer range prospects for increasing agricultural production in India have shown some encouraging developments. The Indian people are becoming increasingly aware of the growing imbalance between food production and population growth. That is progress in itself. Furthermore, greater emphasis is now being placed on modernizing Indian agriculture with the government moving to increase the supply of such production requisites as fertilizer, improved seed, and plant-protection chemicals.

Production of fertilizer, for instance, has risen 2½-fold, from 362,000 tons to 915,000, in the past 5 years; and plans for the next 5 years call for a 4½-fold rise, to 4.1 million. Still, even with these gains in supply, the amount of fertilizer available is far short of the needs for India's 325-million acres now under cultivation.

Another determinant of India's future progress is population—now rising by more than 12 million people per year and expected to exceed the 500-million mark by the end of this year. The government is placing greater and, hopefully, more effective emphasis than ever before on population control through family planning. Success in this endeavor is a must if India is to enjoy rapid gains in per capita income and levels of living in the years ahead.

How Tunisia Is Developing Its Medjerda River Valley

"Not one drop of water for the sea" is the slogan of this large-scale scheme aimed at flood control, irrigation, and expansion of agriculture.

By CAROLEE SANTMYER
Foreign Regional Analysis Division
Economic Research Service

Tunisia, ruled for many years as a French colony but independent since 1956, is nestled between Algeria and Libya on Africa's northern shore. Covering some 48,000 square miles, it is mainly an agricultural country. Most of its 4.7 million inhabitants are engaged, as they have been for centuries, in a basically traditional or subsistence agriculture, and agricultural exports—chiefly olive oil, wine, citrus, and grains—provide the biggest share of the country's foreign exchange earnings.

Although about 40 percent of Tunisia's land area is now agricultural land, large amounts of additional land could be made productive with the benefit of irrigation. Already this is happening, principally in the Medjerda River Valley where the soils are fertile and rainfall supports grain production but where irrigation is required for the growing of most other crops.

Called the Nile of Tunisia

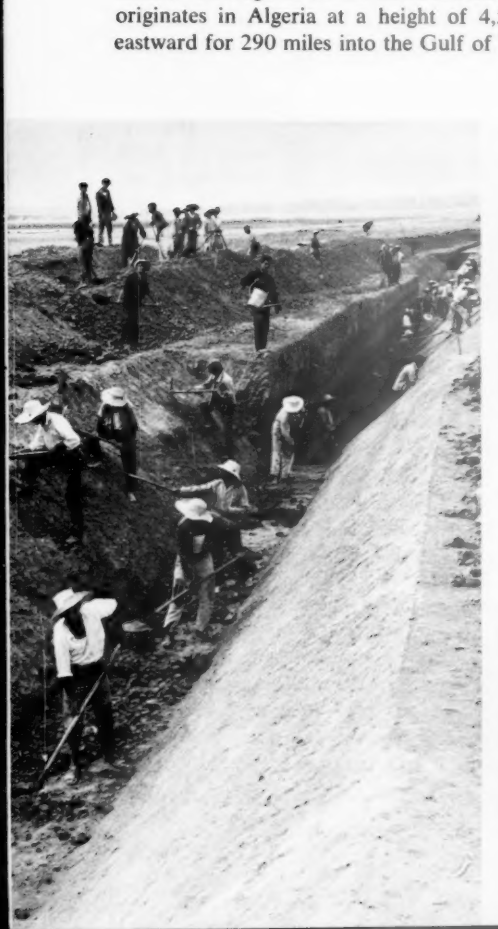
This valley, or basin as it is called, covers about 741,000 acres and is shaped like a giant "U", the open end facing the Mediterranean Sea and the closed end some 37 miles inland. Through its center flows the Medjerda River which originates in Algeria at a height of 4,500 feet and flows eastward for 290 miles into the Gulf of Tunis.

The Medjerda River Basin has always exerted great influence on the lives and economies of those who lived near it. In ancient times, the hillsides were forested and the lower valley was a virtual swamp, but as men moved in to cultivate cereals and to graze their animals, the forests were felled and erosion began to take its toll. Heavy rains washed large quantities of valuable topsoil from the hillsides into the Medjerda River (medjerda is the Arabic word for erosion), which in turn transported it to the sea, over the centuries adding nearly 6 miles of lowland to the Mediterranean seacost. Also, sizable amounts of this topsoil were deposited in the Medjerda Valley during the river's annual winter floods—much as the Nile brought valuable soil from its upper reaches to the floor of the Nile Valley In Egypt. (The Medjerda resembles the Nile in another aspect: it is the only river in the country that is blessed with water during the entire year.)

Marshall Plan funds used

It was during the days of the Marshall Plan that the dream of controlling the river's floods and engaging the land bordering it in a program of intensive agricultural development began to take shape. At that time, a substantial portion of U.S. Marshall Plan funds allocated to France for use in Tunisia reverted to this project, and a plan for development was devised.

By 1957, a dam had been constructed on the water-



Far left, Tunisian workers dig drainage ditch in Medjerda River Valley. Left, farmer sacks a fine crop of potatoes grown on irrigated land. Below, U.S. soil specialist stands almost shoulder-high in Medjerda Valley wheat field. New power plant and dam are in background.

course Oued El-Lil to provide the city of Tunis with drinking water and its suburbs with water for irrigation. The Mellegue Dam had been built on the Mellegue River, a major tributary of the Medjerda, to help control the annual floods, and a third dam for irrigation and flood control, the El Aroussa, had been constructed on the Medjerda at the beginning of the Basse Valley. In addition, seven pumping stations and an excellent system of primary irrigation canals had been built. The dams also contain hydroelectric plants for producing the electricity needed for rural development.

Agrarian reform law enacted

In drawing up its policy for agricultural development, the Tunisian Government felt that truck gardening was essential where water supplies were adequate. Initially, some owners of large farms in the Medjerda Valley refused to take advantage of irrigation and to change over from dry farming and grain production to truck farming. To overcome this inertia, the government decided to regulate crop rotation while providing water for compulsory irrigation, and to achieve this, President Habib Bourguiba in 1958 enacted an agrarian reform law.

This law established the Office for the Development of the Medjerda Valley (OMVVM), which is responsible for establishing farming patterns as well as for erosion and drainage control, the generating of electricity, and the providing of land for Tunisian peasants. The OMVVM slogan became—"Not one drop of water for the sea!"

With a setup comparable to that of the Tennessee Valley Authority in the United States, the OMVVM is Tunisia's largest development project and in Northern Africa is second in size and scope to the Nile River Valley project. The OMVVM processes, packages, and markets all agricultural commodities produced in the Valley, including vegetables, tree crops, wheat and other grains, fodder, various industrial crops, and livestock products.

Gain in irrigated land

Of the valley's 741,000 acres, from 124,000 to 175,000 are to be irrigated, while the remaining land will be developed under a system of modern soil conservation, reforestation, and range management. By 1965, some 62,000 acres were under irrigation, and of these, perhaps 25,000 acres were privately owned and 37,000 were in farm cooperatives. It is hoped that the total irrigation program of the Valley will be completed by 1971 and that nearly all the irrigated land will then be under the direction of farm cooperatives.

Over 8,000 families, many coming from overpopulated areas, were settled on small irrigated units within the Valley by 1965. To acquire Medjerda acreage, each new landowner must agree under contract to pay OMVVM for irrigation water, land, and for all development costs including those for buildings. For the most part, he must follow government plans for plowing, seeding, and crop rotation, and further, he must agree to market his products through the cooperative set up with government assistance. The government, on the other hand, prepares everything for him in advance of occupancy. Irrigation sluices, drainage ditches, access roads, and a house and stable are constructed.

Two classes of farm occupancy are provided. One is a peasant improvement program in which the family works plots of 12 to 30 acres, employing seasonal help. The second is a small plot plan which provides subsistence food and lodging for the farm family but which requires the farmer to supplement his income with seasonal work.

At present, 125 acres of land is the maximum which may be retained by any one owner. Any acreage over that is being expropriated gradually with compensation, but where the owner agrees to carry out extensive land utilization programs, or to divide and sell the excess in accordance with an approved plan, the Tunisian Government may make an exception to expropriation.

Before the land reform, a substantial part of the region was occupied by extensive estates, largely French-owned. In 1963, approximately 50,000 Tunisians lived and worked in the area covered by the development project. Today, the emphasis is on individual ownership of land but under the direction of the farm cooperative.

Financing comes largely from abroad

The Medjerda development program has been, and still is, an expensive project—especially by Tunisian standards.

Below, Tunisian technicians carry out permeability tests. Bottom, though age-old farming methods still prevail, here farmer uses modern spraying methods on his citrus trees.

It has been estimated that by 1959 about $50 million had been invested in the major capital structures, most of this supplied, as mentioned earlier, out of Marshall Plan funds. Expenses have continued to mount. Land clearing and construction of buildings now account for the largest part of the yearly budget, the rest going into administrative expenditures.

Until the program is completed, foreign financial assistance will be needed. The country of Kuwait, benefitting from its rich oil deposits, has responded generously in recent years and is expected to continue to do so. The United States and West Germany supply considerable financial help too.

The OMVVM employs between 45 and 55 foreign engineers, many of them from West Germany and UNESCO (United Nations Educational, Scientific, and Cultural Organization). The United States has assisted the Soils Division, and as a result, the U.S. method of land classification has been introduced and accepted for selecting first, the land that is most economically suited to irrigation and development, and second, the proportionate share of the various land classes which must be included in each farm unit in order to provide a certain predetermined income for the farm family.

Although much has already bee done to bring about a vast degree economic and social improvemen more work is necessary before th Medjerda Valley program can be ca ried to completion. Additional sma dams, reservoirs, and related wate courses are being planned. Neede too are further mechanization an modernization of farming practice The level of accomplishment for a of these depends on how well Tunis succeeds in obtaining the required f nancing and the technical know-how and on the efficiency of its extensio service.

Conference Appraises Future of U.S.-Japanese Farm Trade

Will the United States continue to be a reliable source of food supplies for Japan?

That question was raised by Ryuji Takeuchi, Japanese Ambassador to the United States, at the Washington Agricultural Conference on Trade with Japan, June 23.

The Ambassador said, "As we all know, there are indications that the age of surplus is nearing an end. In this new setting, the question arises whether the United States can remain a stable supply source for Japan and whether U.S. agricultural exports can be priced competitively. Since Japan today is the largest cash buyer of U.S. agricultural products, you will understand why these questions are matters of great concern to us."

Plentiful agricultural supplies

Secretary of Agriculture Orville L. Freeman replied:

"I want to assure you, Mr. Ambassador, and your countrymen here—and all Americans as well—that we do have adequate supplies."

The Secretary said, "The United States has adequate reserves, plus the capacity to produce a good bit more. We now have some 60 million acres that we 'buy out of production' . . . When we need to produce more, we will merely put that land back into production as we recently have done with wheat—where the acreage allotment has been increased by some 8 million acres."

Other speakers covered a wide range of subjects.

Otto Kerner, Governor of Illinois, called attention to the role of Chicago as an important U.S. port.

"With a new 27-foot channel, ocean-going vessels can now proceed into the Chicago area," he said. "This improvement will mean that as much as 30 percent more grain will be moved out of Lake elevators. We urge Japan and all trading nations of the world to increase their frequency of use of the St. Lawrence Seaway and the Chicago harbor area."

Commodity agreements "restrictive"

Frank Carlson, Senator from Kansas, expressed opposition to any proliferation of international commodity agreements on the ground that they are trade-restrictive rather than trade-expansive. The high-level trade that has developed between the United States and Japan, the Senator said, has come about because "our decision was to reduce restrictions, not perpetuate them—and the economics of comparative advantage took it from there."

Dorothy Jacobson, Assistant Secretary of Agriculture, commented on mutual benefits, tangible and intangible, that trade has brought to Japan and America.

"Everybody has gained from this trade," she said. "The gains cannot be measured in terms of volume, or money, or trade balances alone. There also have been rich gains in terms of understanding and cooperation between our two countries because of our many commercial contacts."

Both Japanese and American speakers commented on the rapid development of trade between the two countries. Japan last year bought $876 million worth of U.S. food and fiber as compared with only $386 millio worth 10 years ago.

Raymond A. Ioanes, Foreign Agricultural Service Administrator, said:

"Trade on such a vast scale doesn't 'just happen.' This big export volume has grown out of several essentia bases. These are: an international di vision of labor that makes such trad not only desirable but necessary; a recognition that in the kind of worl in which we live today a strong Pa cific partnership of our capitalistic nations promotes security as well a prosperity; and, certainly not leas vigorous market development—a mod ern-day expression for what we used to call 'salesmanship.'"

He continued, "From a small beginning, in 1955, large and diversified market development activities have grown. Nowhere else has there been such a wide spectrum of promotion effort as in Japan. Nowhere else has there been a country as receptive to this effort as Japan has been."

Warning note

Ambassador Takeuchi sounded a warning note, however, when he said. "Of course, the ability of the United States to retain its predominant position will depend upon a number of things—the price has to be right, the quality must suit the demands of Japanese consumers, and (an area that the producers can less easily control) Japan must have the foreign exchange with which to buy. In other words, Japan must be able to continue to expand its exports if it is to increase its imports, and in particular it must

expand its exports to Japan's principal foreign market—the United States."

A prediction that U.S. feed grain exports to Japan would maintain the rapid growth of recent years, possibly doubling within the next decade, was voiced by Clarence D. Palmby, U.S. Feed Grains Council. Japan's rapidly expanding livestock and poultry industry was cited as the reason.

James L. Hutchinson, Wheat Associates, attributed the spurt in wheat exports to Japan in considerable part to the reduction in U.S. railroad freight rates which have permitted the positioning of wheat on the Pacific coast, plus market development effort in Japan.

Japanese demand for soybean meal, for use as livestock feed, is expected to outpace demand for soybean oil, according to George Strayer, American Soybean Association.

Future uncertain for cotton

On a markedly different note, Don Wilson, of Anderson, Clayton and Company, bemoaned U.S. cotton's failure to make significant progress. "Cotton is running hard to stand still in Japan," Mr. Wilson said. The challenge, basically, is price competition with manmade fibers and foreign-produced cotton, and quality and promotion competition with manmade fibers.

But he concluded, "If we continue what we have begun in pricing our cotton more competitively, if a long-awaited and much-needed research and promotion bill becomes law, and if we make optimum use of the additional promotional funds which will be available from the new International Cotton Institute, then I count myself among the optimists in viewing the future prospects of U.S. cotton in Japan and elsewhere."

Koji Hiroshima, of the Maruhenilida (cotton) Company, said that not only is overall demand for cotton declining in Japan but also that his country is shifting from the 15/16-inch and shorter staple generally exported by the United States to the 1-1/32-inch and longer staples exported by some other cotton-producing countries. He said that an inferior outturn of cotton had been observed.

On the merchandising side, Mr. Hiroshima deplored the decline in cotton futures trading in New York, as well as loan-price and subsidy decreases in the United States. He said that the loss of the hedging market forces spinners all over the world to rely on month-to-month purchases, because merchants try to keep their stock to a bare minimum and ship from what they have on hand. In his opinion, merchants in the United States are being squeezed between the loan price and low overseas price.

Mr. Hiroshima also observed that the industry lacks appeal to the younger generation.

"Is the cotton industry a dying one today, with no one to carry on?" he asked. "Or will the modern electronic robots be programed to handle this agricultural product which has such a wide quality variation?"

Shiro Nagai, of Mitsui and Company, urged that for Number 2 soybeans permissive foreign material be reduced from the present maximum of 2 percent to either 1 or 1½ percent and that the moisture tolerance be dropped from 14 percent to 13 or 13½ percent.

He said that adoption of a new uniform contract form suggested by Japanese trading associations would solve certain trade problems between the United States and Japan. He pointed out that while Japan has followed U.S. trade terms and conditions, which are not entirely suitable to Japan, Thailand and Red China have tried to adapt their terms and conditions to particular Japanese requirements.

He also called attention to such ocean-shipping problems as strikes, transportation shortages, and use of aged vessels, which, under certain conditions, mean higher insurance rates.

Concern over wheat supplies

Yoshio Minagi, of F. Kanematsu and Company, expressed concern about future supplies of hard wheat. He urged that wheat be kept in supply lines from the Midwest, the Dakotas, and Montana; that there be good timing of P.L. 480 programing; that storage and loading capacity be increased; that CCC stocks in terminal position be adequate; and that the CCC offer for 30 to 60 days future delivery if necessary.

Yutaka Yoshioka, Japanese Agricultural Attaché, pointed out that his government, which is encouraging increased livestock production, is restricting imports of certain livestock products but not imports of feed grains. He also warned that Japan, which has been expanding its agricultural imports from developing countries, may expand such imports still more as time goes by.

[Takekazu Ogura, Chairman of Japan's Agriculture and Fisheries Technical Council, recently made a similar point.

In an article appearing in the May 9, 1966, issue of the *Nihon Keizai*, Japan's leading economic newspaper, Mr. Ogura said, "We must consider whether it is advisable for the nation to remain dependent mainly on imports from the United States as at present. The export capacity of the United States may be great, since the United States even maintains restrictions on farm production at home.

"The total dependency on the United States, however, cannot be regarded as desirable, in view of the fact that the food importing countries of the world are becoming more and more dependent on the United States. It is necessary for Japan to have more diversified sources of food supply in order to secure a stabilized food supply.

"Also the balance of trade between Japan and the agricultural countries of Southeast Asia and other backward regions is favorable to Japan, while that between Japan and the United States has usually been unfavorable. Moreover, it has become necessary for Japan to play a role, as one of the advanced countries, in the development of these countries . . .

"It is time for Japan to establish a new food supply system . . . with considerations to the necessity of agricultural development in the friendly countries as well as to trade relations, instead of merely trying to purchase cheap food in order to meet the shortage of food at home."]

Feeling of partnership

Despite the many opinions expressed, the feeling of partnership in trade and in helping the developing nations of Asia prevailed throughout the conference.

Said Secretary of Agriculture Orville L. Freeman, "I am certain that in today's highly successful Japanese-American trade, along with our other cooperative relationships as well, we do have a cornerstone on which to build a Pacific partnership—and here I mean a partnership that includes not only Japan and the United States but all other friends in the Pacific area as well."

Nationwide "Wash Up" Campaign Aimed at Japanese Schoolchildren

"Let's wash our hands with soap," went the children's song played before lunch each day in thousands of schools throughout Japan.

The song, plus radio, television, poster, pamphlet, and other media publicity, was part of a recently completed "wash up" campaign to promote use of toilet soap, as well as to encourage public hygiene and ward off a threatened dysentery epidemic this summer. A joint operation of the All-Japan Soap Association and National Renderers Association, Inc. (NRA)—cooperator with FAS in overseas market development—the campaign was aimed particularly at schoolchildren and inhabitants of rural areas.

A number of Japanese Government agencies endorsed this public service program, which reached 38,000 grammar and junior high schools and over 1.5 million farm families.

The timeliness of the program is evidenced by a recent Japanese Government report that the number of dysentery cases in the first quarter of 1966 was 1½ times higher than in the same period last year.

Enthusiasm engendered by this first "wash up" campaign has led NRA officials to consider an expanded program in 1967. For the rest of this year, they are reviewing a follow-up program—a nationwide contest to choose the most sanitation- and health-conscious school.

NRA officials (l. to r. foreground) John H. Haugh, James Y. Iso, and Dean A. Specht review "wash up" campaign on the spot at Seimeigaoka school in Osaka.

Japan is the largest importer of U.S. tallow, taking almost 10 percent of U.S. production; and nearly 90 percent of its imports last year (190,913 metric tons) came from the United States.

With the advent of detergents, use of tallow-based laundry soap in Japan has declined substantially. Although use of toilet soap has continued to rise, this has been at the slow rate of about 5 percent annually and last year slipped to just 1 percent.

—James Y. Iso
NRA Far East Director

Wheat Associates To Open New Office in Taiwan

Wheat Associates, cooperator with FAS in market development, will open a new office in Taiwan September 1 with former WA Washington representative Winn Tuttle as director.

Modeled on WA's Japanese office, the new branch will handle activities designed to promote use of wheat foods in Taiwan and Hong Kong. Programs will include technical assistance to millers and bakers, cooking classes and demonstrations aimed at the consumer, and advertising.

WA has been working for 3 years with the Taiwan Wheat Products Promotion Council, made up primarily of flour millers, to promote use of noodles, steam breads, and other wheat foods. Plans to step up promotion—highlighted by the opening of the new office—illustrate the growing importance of the Taiwan and Hong Kong markets.

Although Taiwan buys U.S. wheat under Titles I and IV of P.L. 480, as well as commercially, cash purchases are rising. Dollar sales of U.S. wheat to the island rose from 2,093,000 bushels in July-May of fiscal 1965 to 3,646,000 bushels in the comparable period of fiscal 1966. As Taiwan's commercial purchases grow, U.S. wheat will meet with stiff competition from Australian wheat.

Hong Kong is a cash market where U.S. sales, although not large, are increasing. From 112,000 bushels in fiscal 1965, U.S. exports of wheat to the Colony rose to 495,000 bushels in the July-May period of fiscal 1966. Chief competition here comes from Australia and Canada.

U.S. Wheat Industry Hosts Netherlands Trade Mission

A four-member wheat team from the Netherlands—second largest overseas destination for U.S. wheat—recently spent 18 days in the United States observing the wheat industry from seeding to export and conferring with trade and government officials.

Made up of two cereal chemists, a wheat buyer for a mill, and a mill director, the team visited wheat-producing areas, grain exchanges, cereal laboratories, mills, and export facilities. The trip was sponsored by Great Plains Wheat, Inc., the State wheat commissions of North Dakota, Colorado, and Kansas, and the FAS.

Members of the team included Dr. G. Jongh, cereal chemist and director of the Institute for Flour and Bread in Wageningen; Dr. W. Seibel, cereal chemist and laboratory head at the Meneba Mill in Rotterdam; A. C. Meurs, buyer for the Meneba Mill; and K. K. Vervelde, director of the Wessanen's Mills.

The Netherlands is top European destination for U.S. wheat, second in the world only to Japan. During the first 10 months of fiscal 1966, U.S. wheat exports to the Netherlands totaled 629,183 metric tons. The Netherlands ports of Rotterdam and Amsterdam are major transshipment points from which U.S. wheat enters other countries in Northern Europe and Scandinavia.

A Look at the Changing Market for U.S. Poultry in Germany

The United States' poultry trade with West Germany has been a variegated success story. From a trickle of exports after the war, U.S. poultry producers built trade to more than $50 million by 1962. Since then, European Economic Community levies, domestic production, and EEC competition have kept trade at its present level of about $27 million.

Despite continuing roadblocks to a trade buildup—including the further threat of a new labeling regulation—U.S. poultry exporters can look somewhat hopefully at the German market. The country is still a good import market for poultry parts, turkeys, chicken and turkey rolls, and poultry convenience foods even though an increase in sales of whole chickens appears unlikely.

Postwar buildup of poultry trade

Reasons for the abrupt changes in recent years in products traded and the quantity sold to Germany go back to the period following World War II. At that time, poultry imports—as well as imports of other agricultural products—were restricted to conserve foreign exchange. For the next decade, Germany's per capita poultry consumption reached no more than 4½ pounds. By 1961, however, the gradual relaxation of poultry import restrictions made possible sharp increases in imports and consumption.

The U.S. poultry industry, through the Institute of American Poultry Industries (IAPI) as administrator for the industry's International Trade Development Board, was quick to seize this opportunity to open a new market for its products. IAPI, under a cooperative market development program with FAS, opened an office in Frankfurt, Germany, and got to work promoting poultry to the German housewife. Results were rewarding. By 1962 Germans ate on the average almost three times the poultry they consumed in 1956.

Since 1962, the levy on broiler imports from non-EEC sources has steadily increased to its present level of 18 cents per pound—60 percent of the import (c.i.f.) value of U.S. grade A broilers, compared with only 15 percent before the EEC regulations came into effect.

A new grading and marking law which became effective July 1 is expected to hamper trade in poultry imports. The German regulation stipulates that all poultry except necks, backs, and chicken and turkey rolls must be graded according to German standards and be labeled in German.

Turkeys, chicken parts continue to sell well

Our sales of chicken and turkey parts have increased rapidly. Their convenience and price advantage made them popular items on the German poultry market. In 1965, sales of U.S. poultry parts reached a record $14.5 million—80 percent of Germany's total foreign supply of parts. One fourth of this total was backs and necks—used mainly for soup by German housewives and restaurants—and the bulk of the remainder chicken and turkey breasts, thighs, and drumsticks.

Turkeys, which have also had success, sold for a record level of over $6 million to Germany in 1965. The United States supplied over three-fourths of the growing turkey market last year. For the first time, Germany's turkey imports equalled its imports of geese.

Competition in poultry parts is not likely to be great in the immediate future since the European broiler industry has not yet gone heavily into cutting-up of poultry. Some slaughter plants in the Netherlands and Germany are turning out poultry parts, but the quantity is still small. Nor is the United States likely to feel sharp competition in turkeys in the next few years. EEC turkey production is low and not apt to be sharply increased in the near future, because of health problems and high labor costs involved in raising turkeys.

Levies on whole chickens have increased to a level which makes it impossible for U.S. products to compete with EEC suppliers. Supplementary levies, which are based on exporter offer prices and can be changed at any time, make imports of whole birds particularly risky. Whole chickens accounted for roughly 60 percent of U.S. poultry exports to Germany in 1961, but were valued at only about 10 percent in 1965. In 1966, broiler exports to Germany are expected to be only a fraction of the low 1965 figure.

Another factor contributing to cutbacks in these imports has been Germany's rapidly increasing domestic production, especially in broilers. Self-sufficiency in poultry meat was 95 percent in 1965.

Germany's increased production has to some extent been encouraged by U.S. technology. Several large U.S. broiler firms are now supplying Germany with hatching eggs, generally grandparent stock which are delivered from the United States by jet. In addition, some poultry-handling techniques and machinery have come from the United States.

German producers face EEC competition

There may be trouble ahead for German poultry growers, however, since the variable levies that now protect producers are scheduled to be taken off intra-EEC trade in a year. Competition from other EEC producers, such as the Netherlands, France, and Belgium, will no doubt bring severe pressure to German growers.

Prices to German farmers reflected this growing competition within the EEC last spring when producer prices for broilers dropped to a low average of 25 cents per pound (live-weight basis). The price slump was generally attributed to a temporary glut in the Dutch broiler market. Although German producer prices recovered from the spring 1965 slump, they never again reached the 28-cent-per-pound level averaged during 1963 and most of 1964.

Retail prices for poultry from domestic and foreign sources are usually almost the same. This is true in spite of different wholesale prices for poultry produced in Germany and those imported from EEC and non-EEC sources. The markup between wholesale and retail prices is relatively high in Germany.

While consumer prices of pork, beef, and veal have risen significantly in recent years, prices of poultry have actually decreased. American poultry prices in German supermarkets now are roughly as follows: turkeys, about 55 cents a pound; whole chicken legs, U.S. grade A, 80 cents a pound; turkey thighs, 75 cents per pound; and backs and necks, 28 cents per pound—a good buy in Germany.

—KENNETH L. MURRAY
Assistant U.S. Agricultural Attaché, Bonn.

EEC Increases Poultry Levies

The European Economic Community Commission has recently increased supplemental levies on slaughtered poultry imports from third countries. The levies on whole chickens (broilers and stewers) with giblets and backs and necks were increased from 4.5 cents to 5.7 cents per pound, and those on whole chickens without giblets and chicken halves and quarters from 3.6 cents to 4.5 cents per pound.

The increases—effective June 19, 1966—raised total West German charges on whole broilers and stewers with giblets to 15.2 cents per pound, those on whole broilers and stewers without giblets to 14.8 cents per pound, and those on backs and necks to 11.1 cents per pound. High levies on these products have been in effect since mid-1962; they reached a peak of 18 cents per pound—60-90 percent ad valorem, respectively—on whole broilers and stewers in the spring of 1965.

These high levies have virtually forced U.S. exporters out of the whole broiler and stewer market in West Germany. In 1965 German imports of U.S. broilers amounted to only 3.5 million pounds, about 1 percent of total broiler imports. In backs and necks trade, the United States accounted for about 98 percent of West Germany's imports—26.4 million pounds in 1965—in spite of the fact that the import duty is equivalent to over 100 percent ad valorem. (For a further analysis of how EEC levies have affected the West German market for U.S. poultry, turn to the article on page 11.)

Rains Improve Australia's Wheat Prospects

Widespread rains fell over Australia's wheat belt in late May and well into June in time for planting of the 1966-67 crop. In last year's drought areas, especially in New South Wales, farmers were standing by prepared to put in maximum acreages in the event of rain.

Wheat seedings in all Australian states may total a record 20 million acres or even more, compared with 16,760,000 acres in 1965-66; the previous record was 17,919,000 in 1964-65. Most of the planting was completed in June, but in some areas wheat can be sown until late July.

AUSTRALIA'S PLANTED WHEAT ACREAGE BY STATES [1]

State	Average 1957-61	1962	1963	1964 [2]	1965 [2]
	Mil. acres	*Mil. acres*	*Mil. acres*	*Mil. acres*	*Mil. acres*
New South Wales	3.6	5.0	5.0	5.8	4.0
Victoria	2.3	3.2	3.1	3.2	3.2
Queensland	0.6	0.9	0.9	1.0	.8
South Australia	1.7	2.6	2.8	2.7	2.8
Western Australia	3.7	4.8	4.7	5.2	6.0
Total	11.9	16.5	16.5	17.9	16.8

[1] Crop year beginning December. [2] Preliminary.
Australia's Commonwealth Bureau of Census and Statistics.

Wheat acreages are at record or near-record levels in all states. Most of the increase is evident in New South Wales and Western Australia, where acreages are well over 6 million acres each. In Victoria and South Australia land in wheat is likely to total about 6 million acres, and Queensland's acreage is expected to exceed 1 million acres.

Crops in southern areas and in Western Australia are off to a good start, but in last year's drought areas of northern New South Wales, subsoil moisture is still somewhat low despite rainfalls of up to 2.5 inches in the second week of June. However, timely, adequate followup rain will be needed to assure satisfactory yields.

U.S. Tobacco Exports in May

U.S. exports of unmanufactured tobacco in May 1966, at 23.1 million pounds, were well below the 35.7 million shipped out in May 1965. Export value was $18.4 million, compared with $28.9 million. The slowup reflects exporters' hesitancy to ship during the period when they anticipated that an expanded export payment program would be announced at an early date.

U. S. EXPORTS OF UNMANUFACTURED TOBACCO
[Export weight]

Kind	May 1965	May 1965	January-May 1965	January-May 1966	Change from 1965
	1,000 lb.	*1,000 lb.*	*1,000 lb.*	*1,000 lb.*	*Percent*
Flue-cured	29,300	15,704	101,333	103,403	+ 2.0
Burley	2,816	3,052	10,647	16,375	+53.8
Dark-fired Ky.-Tenn.	405	164	6,285	6,226	— 0.9
Va. fire-cured [1]	238	271	2,090	2,593	+24.1
Maryland	1,027	633	2,727	3,017	+10.6
Green River	94	3	378	437	+15.6
One Sucker	6	0	63	53	—15.9
Black Fat	274	413	1,219	1,437	+17.9
Cigar wrapper	298	533	1,472	2,374	+61.3
Cigar binder	14	149	1,524	1,321	—13.3
Cigar filler	33	34	190	308	+62.1
Other	1,232	2,178	7,303	9,561	+30.9
Total	35,737	23,134	135,231	147,105	+ 8.8
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	
Declared value	28.9	18.4	104.7	122.3	+16.8

[1] Includes sun-cured.
Bureau of the Census.

U. S. EXPORTS OF TOBACCO PRODUCTS

Kind	May 1965	May 1966	January-May 1965	January-May 1966	Change from 1965
					Percent
Cigars and cheroots 1,000 pieces	2,887	6,780	15,913	28,445	+ 78.8
Cigarettes Million pieces	2,795	1,926	9,269	10,064	+ 8.6
Chewing and snuff 1,000 pounds	13	42	95	220	+131.6
Smoking tobacco in pkgs. 1,000 pounds	131	93	348	410	+ 17.8
Smoking tobacco in bulk 1,000 pounds	899	1,238	4,368	4,902	+ 12.2
Total declared value Million dollars	14.1	10.5	48.0	53.0	+ 10.4

Bureau of the Census.

For the period July 1965 through May 1966, exports totaled 443.8 million pounds—down about 1 percent from 447.8 million for the corresponding period of fiscal 1965.

The value of tobacco-product exports in May 1966 was $10.5 million, compared with $14.1 million in May 1965. For the period January-May 1966, the total value of tobacco-product exports was $53.0 million against $48.0 million for January-May 1965.

United Kingdom Exports More Cigarettes

U. K. exports of cigarettes in the first quarter of 1966 totaled 7.6 million pounds—up 15 percent from January-March 1965. Larger shipments to Aden, Malaysia, Singapore, West Germany, Ireland, Norway, the Canary Islands, and Kuwait more than offset smaller exports to Kenya, the Sudan, Japan, and Hong Kong. Kuwait took 1.7 million pounds of British cigarettes in January-March 1966—22 percent of the total.

U. K. imports of cigarettes in January-March 1966 totaled 308,000 pounds, the United States supplying 209,000 pounds, or 68 percent of the total. Other leading suppliers included France with 47,000 pounds and the Netherlands with 23,000.

West German Cigarette Output Rising

Cigarette output in West Germany (including West Berlin) during the first quarter of 1966 totaled 26,363 million pieces, 9.4 percent above the 24,092 million produced in January-March 1965. Combined production of cigars and cigarillos dropped to 984 million pieces, from 1,055 million for the first quarter last year. Also, the combined output of the other products, at 4.7 million pounds, was down 3.4 percent from the 4.9 million produced during January-March 1965.

Fiji's Tobacco Imports Set New Record

Fiji's imports of unmanufactured tobacco during 1965 were a record 649,000 pounds, compared with the 1964 level of 576,000 and the previous high of 600,000 in 1960. Larger imports from Rhodesia more than offset reduced takings from the United States and Canada.

Imports from Rhodesia last year rose to 328,000 pounds from 219,000 in 1964. Takings from the United States dropped to 258,000 pounds from 324,000 and those from Canada dropped to 22,000 pounds from 33,000. Australia was a new source of supply last year, with imports from that country amounting to 41,000.

Tanzania Increases Its Cigarette Output

Tanzania's cigarette output last year totaled 1,869 million pieces, 21.7 percent above the 1,535 million produced in 1964 and 63.4 percent above the 1963 level of 1,144 million.

Italy's Tobacco-Product Output Down, Sales Up

Output of tobacco products by the Italian Tobacco Monopoly during 1965 totaled 140.7 million pounds—down 1.4 percent from the 142.7 million produced in 1964. Production of all products except cigars was down from the previous year.

Cigarette production dropped to 128.4 million pounds from 129.8 million in 1964. Production was down 11.6 percent for cigarillos, 6.0 percent for cut tobacco, and 12.5 percent for snuff. However, cigar production rose to 2.7 million pounds from 2.5 million the previous year.

Sales of tobacco products last year totaled a record 145.8 million pounds, 2.3 percent above the 142.5 million sold in 1964. Larger sales of cigarettes and cigars accounted for the increase and more than offset declines for cigarillos, cut tobacco, and snuff.

Record Senegal Commercial Peanut Output

Peanut purchases from Senegal's 1965-66 crop made by the Office Commercialization Agricole (OCA) totaled a record 1,009,000 metric tons (unshelled) during the 1965-66 marketing season, which ended April 27, 1966. The proportion purchased through cooperatives reached 78 percent with the remainder purchased through private traders. In 1964-65 the proportions were 67 and 33 percent.

The record high purchases are attributed to a larger total crop, reflecting a slight acreage expansion and unusually favorable growing conditions resulting from adequate and timely rainfall.

After adjustment (for impurities, etc.) under the new OCA quality purchasing policy, total commercial quantities from the above purchases are expected to reach 960,000 tons.

Nigerian Peanut Board Purchases at Peak

Marketing Board peanut purchases for export and crushing from Nigeria's 1965-66 peanut crop are now estimated at a record 900,000 long tons (shelled basis), 100,000 tons more than estimated earlier. As of mid-June, 888,000 tons had been checked in stock. This estimate of total purchases is one-third above the 678,935 tons purchased from the 1964-65 crop and 3 percent above the previous high of 871,516 tons purchased from the 1962-63 crop. The increase from earlier estimates is attributed mainly to very favorable weather conditions during harvesting.

According to returns of the Nigerian Produce Marketing Company, peanut exports from Nigeria in calendar year 1965 are provisionally estimated at 545,000 tons. These are valued at about 34.3 million Nigerian pounds ($96 million), compared with exports of 544,384 tons valued at 39.5 million pounds ($111 million) in 1964.

Peanut planting has begun in the northern areas of the peanut belt, and the weather reportedly has been quite favorable. However, new plantings may be adversely affected by tribal disturbances in Northern Nigeria, and, the 1966-67 crop may not reach the 1965-66 record.

Turkish Olive Oil Exports Increase

November 1965 rose sharply to 19,205 metric tons valued at about US$10.7 million, compared with only 3,333 tons valued at US$1.8 million in the corresponding period of 1964. This steep increase reflected a substantial increase in availabilities from 1964-crop olives.

The outturn of edible olive oil from 1965-crop olives is current forecast at only 55,000 metric tons, compared with 100,000 in 1964-65 and 65,000 in 1963-64.

Japan's Soybean, Safflowerseed Imports Up

Japan's imports of soybeans and safflowerseed during January-May 1966 were sharply above the levels of the

comparable 1965 period, but imports of soybean cake and meal declined.

Soybean imports at 969,756 metric tons (35.6 million bu.) were almost one-third above last year's comparable imports. Of the total, 800,252 tons (29.4 million bu.) were from the United States and the bulk of the remainder was from Mainland China. Imports of U.S. beans increased 48 percent, while those from Mainland China declined 14 percent.

Imports of safflowerseed at 43,390 tons were also almost one-third above the tonnage imported through May of 1965. Virtually all of the safflowerseed was from the United States.

Only 6,921 tons of soybean cake and meal were imported in the first 5 months of the current year, one-third the volume imported through May of 1965. Almost 95 percent of the total was from the United States.

JAPAN'S IMPORTS OF SOYBEANS, SAFFLOWERSEED AND SOYBEAN MEAL

Commodity and major source	January-May		
	1965	1965	1966
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*
Soybeans:			
United States	1,464.9	541.1	800.3
Total	1,847.5	737.6	969.8
Safflowerseed:			
United States	112.7	32.5	42.8
Total	113.4	33.2	43.4
Soybean cake and meal:			
United States	41.7	20.9	6.5
Total	46.3	21.0	6.9

Customs Bureau, Ministry of Finance.

Argentine Flaxseed Estimate Down

The third official estimate places Argentina's 1965-66 flaxseed production at 22.4 million bushels. This is 3 percent less than the second estimate but 30 percent (9.6 million bushels) less than production in 1964-65.

U.S. Cotton Exports Continue Low

U.S. exports of all types of cotton amounted to 2,624,000 running bales in the first 10 months (August-May) of the current season. This was 23 percent below the 3,396,000 bales exported in the same months of 1964-65.

Exports in May totaled 214,000 bales, compared with 177,000 in April and 251,000 in May 1965. During the current season, exports are estimated at 3.1 million bales, compared with 4.1 million in 1964-65.

U.S. COTTON EXPORTS BY DESTINATION
[Running bales]

Destination	Year beginning August 1				
	Average			August-May	
	1955-59	1963	1964	1964	1965
	1,000 bales	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*
Austria	33	23	11	9	2
Belgium-Luxembourg	160	176	80	72	40
Bulgaria	0	19	0	0	0
Denmark	17	16	6	5	6
Finland	22	10	11	11	8
France	360	380	184	172	99
Germany, West	475	401	217	206	86
Hungary	0	18	0	0	0
Italy	416	442	260	248	95
Netherlands	124	127	65	62	37
Norway	10	14	13	12	11
Poland & Danzig	85	132	67	67	42
Portugal	28	35	22	20	6
Spain	171	14	28	15	11
Sweden	75	88	58	53	57
Switzerland	64	95	66	64	34
United Kingdom	525	286	153	133	122
Yugoslavia	108	78	109	98	117
Other Europe	17	20	10	13	9
Total Europe	2,690	2,374	1,360	1,260	790
Australia	54	91	60	56	31
Canada	217	448	390	295	246
Chile	35	2	1	1	3
Colombia	33	14	1	(1)	56
Cuba	27	0	0	0	0
Ethiopa	4	9	4	1	11
Hong Kong	134	187	150	126	87
India	184	314	243	110	48
Indonesia	30	21	47	47	(1)
Iraq	0	20	0	0	0
Israel	16	26	23	19	5
Japan	1,154	1,301	990	846	660
Korea, Rep. of	205	313	261	210	252
Morocco	10	15	12	11	10
Pakistan	14	8	9	9	6
Philippines	64	140	75	61	79
South Africa	26	37	43	40	25
Taiwan (Formosa)	153	189	203	159	158
Thailand	4	39	55	44	50
Uruguay	15	(1)	0	0	(1)
Venezuela	2	12	6	5	5
Vietnam [2]	2	75	63	45	46
Other countries	27	27	64	51	59
Total	5,100	5,662	4,060	3,396	2,624

[1] Less than 500 bales. [2] Indochina prior to 1958; includes Laos and Cambodia.

Central America To Up Coffee Output

Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica are all expected to increase coffee production during the 1965-69 period, according to a recent survey of the individual national plans of these five Central American countries made by the Joint Planning Mission for Central America (JOPLAN).

The total production level is expected to reach 6.6 million bags in 1969, about 14 percent above the 1965-66 estimate of 5.8 million bags for the five countries.

The survey, which is entitled "Summary of the Central American Plans for Economic and Social Development," shows that all of the increase in output is to come from increasing yields and not from expanding acreage. In fact, the survey revealed that both Nicaragua and Costa Rica plan to reduce coffee acreages, while the other three countries expect to hold acreage at its present level.

Kenya Builds Sugar Factories

Construction has been started on a sugar factory at Chemelil in Nyanza Province of Kenya. The factory is scheduled to start operating in 2 years, with a production goal of 60,000 long tons a year. A West German company is making over half the investment; part of the remainder will come from the Kenya Government and local firms and banks.

Another sugar factory is scheduled for completion in mid-1966 in the Nyanza Province near Kisumu. This factory, owned by East African Sugar Industries, Ltd., a public company, has a capacity of 30,000 tons a year.

Sugarcane supplies for both companies will come from their own plantations and small-holders on settlement schemes. These two factories should make Kenya self-sufficient in sugar.

Greece Sets 1966 Sugarbeet Price

The price to be paid Greek sugarbeet growers in 1966 by the Hellenic Sugar Industry will be $16.67 per metric ton for beets with 16 percent sugar content. Prices will vary according to whether the sugar content of the beets is above or below the 16-percent level, on the following pattern:

For beets with a sugar content of 16 to 18 percent, there will be a price increase of 0.117 U.S. cent per kilogram for each percent of sugar content; for those with more than 18, an increase of 0.100 cent; for those with 16 to 14, a decrease of 0.117 cent; for those with less than 14, a decrease of 0.150 cent.

Initiated as of this year is a subsidy on the amount of beets delivered to the sugar refineries, varying with the time of delivery, as follows:

- For deliveries before July 21, $1.67 per metric ton.
- For deliveries from July 22 through July 31, $1.00 per metric ton.
- For deliveries towards the end of the campaign (the exact date to be set in October by the Ministry of Agriculture based on recommendations of HSI), $1.67 per metric ton. No subsidy will be granted from August 1 through the date to be set in October.

Allocation of dry sugarbeet pulp will hereafter be carried on by representatives of the Ministry of Agriculture, the Agricultural Bank, the Agricultural Cooperative Organizations, and the Hellenic Sugar Industry. The dry pulp will be bought by the Agricultural Bank and its distribution carried out on the same principles as for the other feeds distributed by the Bank and at the price approved by the Ministry of Agriculture throughout its marketing period.

U.S. Exports of Livestock Products

Relatively favorable U.S. prices—prompted by generally smaller domestic supplies—have so far reduced exports of livestock and meat products in 1966, compared with corresponding partial year data for a year earlier.

Exports of all red meats were 31 percent lower during January-April this year than in the first 4 months of 1965. Of the two major red meat export items, pork was off 27 percent and beef and veal 46 percent. Relatively strong U.S. domestic prices resulting from reduced slaughter of both hogs and cattle have been the major causes. Certain other red meat items—sausages and prepared meat specialties—were moving into export channels at slightly higher levels than a year ago.

Substantially reduced shipments of U.S. lard compared with early 1965 levels are attributable to smaller U.S. supplies available for export. In addition, total lard imports by the United Kingdom—largest foreign outlet for U.S. lard—are significantly lower than last year.

Similarly, U.S. exports of tallow and greases were 9 percent under January-April 1965 levels.

Exports of cattle hides—at 4.4 million pieces—were about 10 percent above the quantity shipped in the first 4 months of 1965.

Live cattle exports were off 42 percent, totaling about 10,000 head during January-April this year compared with 17,000 head at the same time a year ago.

U.S. EXPORTS OF LIVESTOCK PRODUCTS
[Product weight basis]

Commodity	April		Jan.-Apr.	
	1965	1966	1965	1966
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
Animal fats: Lard	38,009	5,462	109,142	44,116
Tallow and greases:				
Inedible	223,959	142,442	669,294	611,004
Edible	2,303	1,074	7,716	7,279
Meats:				
Beef and veal	4,019	2,010	20,086	10,857
Pork	4,177	2,696	17,085	12,573
Lamb and mutton	154	179	416	439
Sausages:				
Except canned	130	172	527	640
Canned	102	141	438	491
Other canned meats	980	779	2,903	2,941
Meat specialties:				
Frozen	92	113	339	603
Canned	193	96	451	718
Total red meats	9,847	6,186	42,245	29,262
Variety meats	17,971	13,831	65,800	64,895
Sausage casings:				
Hog	594	465	2,231	2,218
Other natural	340	341	1,176	1,467
Mohair	612	633	1,660	2,749
	1,000 pieces	*1,000 pieces*	*1,000 pieces*	*1,000 pieces*
Hides and skins:				
Cattle	1,324	927	4,027	4,419
Calf	169	149	606	844
Kip	58	34	133	206
Sheep and lamb	301	194	979	773
Horse	1	7	9	22
Goat and kid	18	3	78	131
	Number	*Number*	*Number*	*Number*
Live cattle	3,737	3,192	17,000	9,949

Source: Bureau of the Census.

WORLD CROPS AND MARKET INDEX

Cotton

14 U.S. Cotton Exports Continue Low

Dairy and Poultry Products

12 EEC Increases Poultry Levies

Fats, Oilseeds, and Oils

13 Record Senegal Commercial Peanut Output
13 Record Nigerian Peanut Board Purchases
13 Turkish Olive Oil Exports Increase
13 Japan's Soybean, Safflowerseed Imports Up
14 Argentine Flaxseed Estimate Down

Grains, Feeds, Pulses, and Seeds

12 Rains Improve Australia's Wheat Prospects

Livestock and Meat Products

15 U.S. Exports of Livestock Products

Sugar, Fibers, and Tropical Products

14 Central America To Up Coffee Output
14 Kenya Builds Sugar Factories
15 Greece Sets 1966 Sugarbeet Price

Tobacco

12 U.S. Tobacco Exports in May
13 United Kingdom Exports More Cigarettes
13 West German Cigarette Output Rising
13 Fiji's Tobacco Imports Set New Record
13 Tanzania Increases Its Cigarette Output
13 Italy's Tobacco-Product Output Down, Sales Up

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

To change your address or stop mailing, tear off this sheet and send to Foreign Agricultural Service, U.S. Dept. of Agriculture, Rm. 5918, Washington, D.C. 20250.

Highlights of the Agriculture and Trade of the Soviet Union

Resources.—The Soviet Union occupies about 5.5 billion acres, almost one-sixth of the earth's land surface. Of this, 1.2 billion acres is agricultural land and about 523 million acres is tilled. The January 1966 population in the USSR was 232 million, of which 54 percent was urban and 46 percent rural. The annual average employment in agriculture is about 39 million, about 38 percent of total employment.

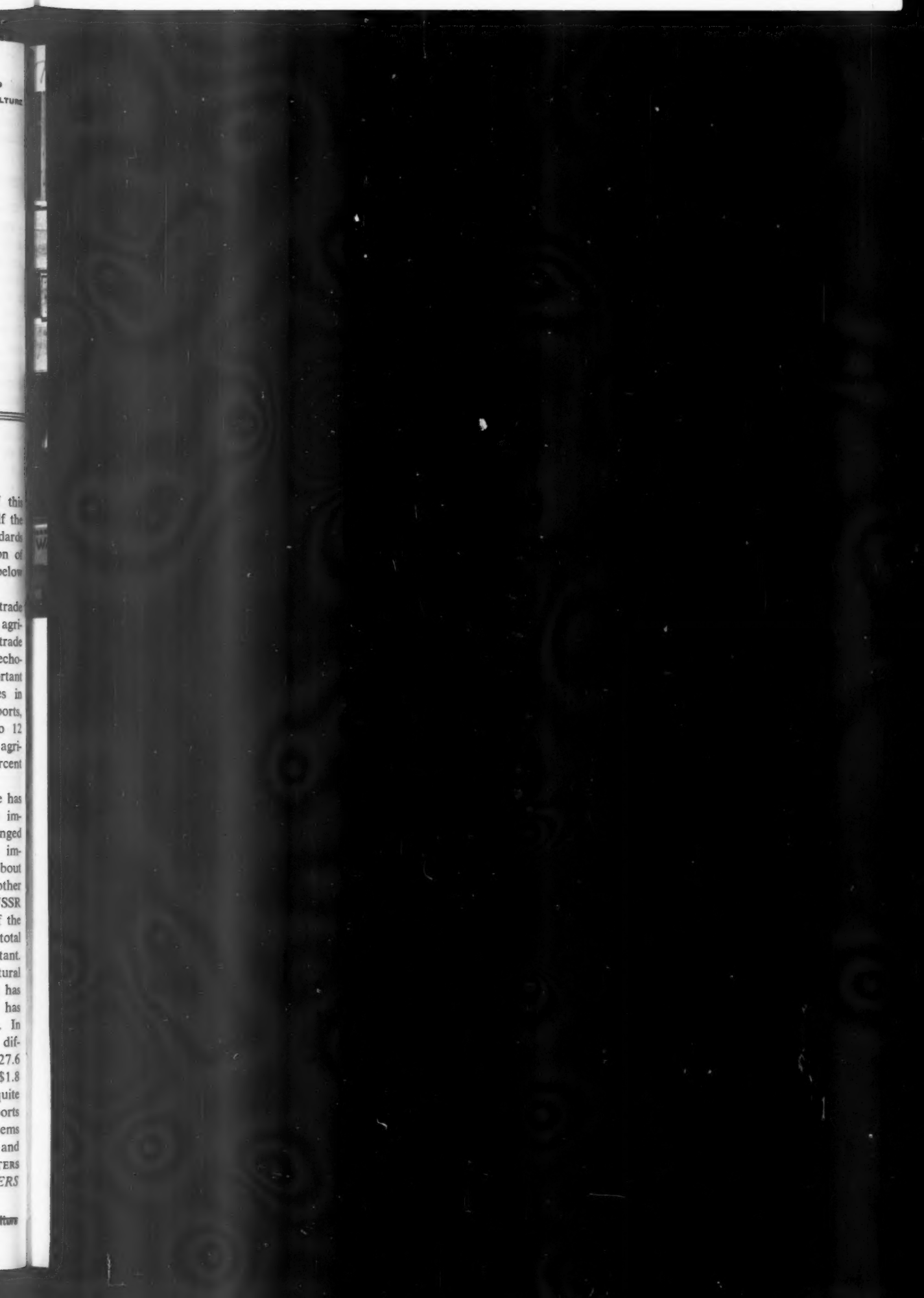
Agriculture.—Agriculture is dominated by large state and collective farms, but a major share of gross agricultural production, about one-third, is obtained from individual private garden plots which account for only about 3 percent of the sown area. These supply much of the livestock products, vegetables, fruit, and potatoes. State farms are state-owned enterprises paying wages to employees, while collective farms are nominally cooperative organizations with the returns from production distributed to members. In practice, government control of collective farms is extensive.

Agricultural production in the USSR has been subject to sharp fluctuations in recent years, but the period since 1958 has in general been one of stagnation. Net agricultural output in 1965, according to the USDA index, was 9 percent above the 1957-59 average, while net production per capita was actually below the earlier level. A major agricultural failure was suffered by the USSR in 1963 and a major grain crop failure in 1965. Principal crops are grains, potatoes, vegetable oils, sugar, and cotton.

Food Situation.—The diet of the average Soviet citizen is dominated by grains, which account for more than 50 percent of the average daily intake of about 3,000 calories. Potatoes also are important in the diet. Fruits and vegetables account for a very small portion of the total caloric intake and the share of meat in the diet is also relatively small, although it has been increasing fairly rapidly over the past decade. With considerable success in the production of industrial crops, the consumption of sugar and vegetable oils has been increasing, especially since 1964. Consumption of milk and butter is relatively high in the Soviet Union although increases in milk consumption were limited during the first 4 years of this decade. Expenditures for food account for about half the income of the average Soviet citizen. By Soviet standards of an appropriate diet, present levels of consumption of most products, except grain and potatoes, are far below desired levels.

Foreign Trade.—The state monopoly for foreign trade handles all products entering foreign trade including agricultural products. About 70 percent of total Soviet trade is with other Communist countries; East Germany, Czechoslovakia, Poland, and Bulgaria are the most important trading partners. Agricultural production difficulties in recent years have cut heavily into agricultural exports, which dropped from 17 percent of total exports to 12 percent between 1962 and 1963, and have raised agricultural imports from 20 percent of the total to 26 percent during the same period.

The biggest shift in Soviet foreign agricultural trade has been from a major grain exporter to a major grain importer since 1963. Prior to 1963, grain exports ranged above 7 million tons with less than a million tons imported, while since 1963 grain imports have averaged about 7 million tons and exports only about 3 million. Another big shift has come about in the trade between the USSR and China. China, once a principal trading partner of the USSR, is now relatively insignificant in the USSR's total trade, while Cuba has become increasingly more important.

Foreign Trade With the United States.—Agricultural trade between the United States and the Soviet Union has been small. The value of U.S. exports to the USSR has exceeded by a wide margin the value of U.S. imports. In 1964 the exceptional U.S. wheat exports made this difference even greater; total U.S. exports reached $127.6 million, but imports from the USSR totaled only $1.8 million. The commodity composition of this trade is quite different from year to year, but customary U.S. exports to the USSR are tallow and cattle hides, while the items most often imported are licorice root, essential oils, and bristles.

—HARRY E. WALTERS
Foreign Regional Analysis Division, ERS